

## Message Text

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ORIGIN SS-25

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DRAFTED BY AID/EA/C:PWASKIN:NJN

APPROVED BY EA:MR. HABIB

AID/A/AA/EA:GAZIMMERLY(DRAFT)

USDA/FAS:AMEAD

AID/D/A:JMURPHY (DRAFT)

EA/LC:LMRIVES

D/AA/EA:RHMILLER

S/S :JPMOFFAT

----- 111256

Z 092232Z JAN 75 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY PHNOM PENH FLASH

S E C R E T STATE 005531

EXDIS

E.O. 11652: GDS

TAGS: EAID, CB

SUBJECT: FAA CEILINGS - ECONOMIC AND PL 480

REF: PHNOM PENH 17134

FOR DEAN FROM HABIB AND MURPHY

1. MUCH APPRECIATE YOUR THOUGHTFUL ANALYSIS AND SUGGESTIONS CONTAINED IN REFTEL. THE MAJOR CONCLUSIONS EXPRESSED IN PARAS ONE THROUGH FOUR OF THAT MESSAGE COINCIDE WITH THE RESULTS OF A SERIES OF HIGH LEVEL DISCUSSIONS HERE REGARDING THE IMPACT OF THE FAA CEILING, STRATEGY FOR SEEKING RELIEF FROM THE CEILING AND INTERIM PROGRAMMING MEASURES. WE CONCLUDE, AS YOU HAVE, THAT AN ALL-RICE STRATEGY SIMPLY MEANS CAMBODIA FACES ECONOMIC COLLAPSE BEFORE IT RUNS OUT OF RICE AND THAT A BALANCED APPROACH, UNDER THE CEILING, MEANS THAT BOTH THE ECONOMIC AND FOOD CRISES CONVERGE IN APRIL/MAY OR SHORTLY THERE-

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AFTER.

2. IT HAS BEEN DECIDED TO SEEK CONGRESSIONAL APPROVAL TO RAISE THE DOLS 377 MILLION CEILING IN A MANNER THAT WOULD ENABLE US TO PROVIDE DOLS 250 MILLION IN ECONOMIC AND PL 480 ASSISTANCE. EVERY EFFORT WILL BE MADE TO HAVE THE CEILING LIFTED BY FEBRUARY

OR MARCH. THE POINT WILL BE EMPHASIZED THAT NO ADDITIONAL FUNDS ARE NEEDED, ONLY ADDITIONAL AUTHORITY. THE DOLS 250 MILLION LEVEL, BY OUR CALCULATIONS, WOULD PERMIT THE PURCHASE AND SHIPMENT OF APPROXIMATELY 314,000 TONS OF RICE THIS FY, PROVIDE CAMBODIA WITH RICE INTO NOVEMBER WITH A ONE-MONTH RESERVE STOCK, AND PROVIDE AN ADEQUATE LEVEL OF IMPORTS TO KEEP THE ECONOMY TURNING UNTIL FY 76 FUNDS ARE AVAILABLE. THE DOLS 250 MILLION LEVEL WOULD ALSO INCLUDE 34,000 TONS OF WHEAT PLUS APPROXIMATELY DOLS 1.0 MILLION IN PROTEIN SUPPLEMENTS UNDER TITLE II. IN ANY CASE IT WOULD NOT REPEAT NOT PERMIT PURCHASE OF ANY OF THE COTTON YARN NOR TOBACCO REQUESTED. THE ITEMS CONTAINED IN YOUR INITIAL PROGRAMMING REQUEST WOULD, INCLUDING FREIGHT, REQUIRE DOLS 21.5 MILLION OF ADDITIONAL CEILING AUTHORITY WHICH WOULD, IN OUR JUDGMENT, WEAKEN CHANCES FOR INCREASED AUTHORITY FOR FOOD.

3. FOR THE INTERIM, WE SEE NO ALTERNATIVE TO A BALANCED APPROACH AMONG RICE, COMMERCIAL IMPORTS AND HUMANITARIAN ASSISTANCE UNTIL THE CEILING IS LIFTED. THIS WOULD REQUIRE, BY OUR CALCULATIONS, A PROGRAMMING SPLIT OF ABOUT DOLS 92.5 MILLION FOR PL 480 AND DOLS 84.5 MILLION FOR ECONOMIC AND HUMANITARIAN ASSISTANCE TO ASSURE ADEQUATE FLOWS UNTIL APPROXIMATELY MARCH/APRIL. THIS, IN EFFECT, WOULD FREEZE ABOUT DOLS 15.5 MILLION OF IPR FUNDS, WHICH COULD NOT BE OBLIGATED UNTIL THE CEILING IS LIFTED.

4. THE TABLE BELOW SHOWS OUR TENTATIVE DISTRIBUTION OF THE ABOVE LEVELS UNDER THE CURRENT CEILING. THE FOOD ASSISTANCE TOTAL (DOLS 112.9) LESS AID (IPR) PAID FREIGHT (DOLS 20.4) EQUALS THE DOLS 92.5 MILLION FROM PL 480 APPROPRIATIONS. THIS AMOUNT WHEN SUBTRACTED FROM THE ECONOMIC ASSISTANCE CEILING OF DOLS 177.0 MILLION LEAVES DOLS 84.5 MILLION FOR OBLIGATION UNDER IPR APPROPRIA-

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TIONS AND DOLS 15.5 MILLION IN FROZEN IPR FUNDS.

A. FOOD ASSISTANCE:

RICE PURCHASES (209,000 TONS)	DOLS 88.5
USDA-PAID FREIGHT (FOR RICE)	DOLS 3.0
AID (IPR)-PAID FREIGHT (FOR RICE)	DOLS 20.4
TITLE II (PROTEIN SUPPLEMENTS)	DOLS 1.0

TOTAL FOOD ASSISTANCE DOLS 112.9

B. ECONOMIC AND HUMANITARIAN:

CIP DOLS 32.4

GENERAL LICENSING ( 9.9)

P.O.L. (16.0)

FERTILIZER FREIGHT ( 1.0)

INFRASTRUCTURE LOGISTICS ( 5.5)

ESF DOLS 10.1

HUMANITARIAN (INCLUDES 10.0 CIP) DOLS 20.0

MOB/TS DOLS 1.6

TOTAL ECONOMIC AND HUMANITARIAN DOLS 64.1

C. TOTAL FOOD, ECONOMIC AND HUMANITARIAN DOLS 177.0

5. RAISING THE CURRENT CEILING TO DOLS 250 MILLION WOULD  
THEN PERMIT AN ADDITIONAL DOLS 73.0 MILLION TO BE  
TENTATIVELY DISTRIBUTED AS FOLLOWS:

RICE PURCHASES (105,000 TONS) DOLS 44.5

USDA-PAID FREIGHT (RICE) 5.0

AID (IPR)-PAID FREIGHT (RICE) 6.0

WHEAT 6.0

USDA-PAID FREIGHT (WHEAT) 2.0

AID (IPR)-PAID FREIGHT (WHEAT) 3.0

CIP (POL) 3.5

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ESF 3.0

TOTAL DOLS 73.0

6. CONGRESSMAN PASSMAN WILL HOLD SCHEDULED  
APPROPRIATIONS COMMITTEE HEARINGS ON THE FY 75 PROGRAM FOR  
CAMBODIA BEGINNING JANUARY 15. WE WISH TO BE FULLY  
OBLIGATED IN TERMS OF THE CURRENT CEILING BY THAT DATE.  
ACCORDINGLY, YOU WILL RECEIVE VERY SHORTLY THE FOLLOWING  
BY IMMEDIATE CABLES:

(A) INSTRUCTIONS TO AMEND THE CURRENT TITLE I AGREEMENT TO  
PROVIDE FOR (1) 209,000 TONS OF RICE WITH A MARKET VALUE  
OF DOLS 88.5 MILLION, (2) DOLS 3.0 MILLION FOR USDA-  
FINANCED FREIGHT, AND (3) DELETION OF WHEAT, COTTON AND

COTTON YARN FROM THE AGREEMENT, THUS BRINGING THE TOTAL VALUE OF THE AGREEMENT TO DOLS 91.5 MILLION.

(B) ADVICE OF ALLOTMENTS FOR DOLS 31.8 MILLION FOR CIP AND DOLS 8.1 MILLION FOR THE REFUGEE PROJECT.

(C) AUTHORITY TO EXCHANGE DIPLOMATIC NOTES FOR DOLS 7.0 MILLION FOR THE ESF.

7. UPON RECEIPT OF INSTRUCTIONS ON ABOVE ACTIONS, YOU ARE REQUESTED TO AMEND THE TITLE I AGREEMENT, SIGN THE PAGA FOR CIP AND THE PROAG FOR REFUGEES, AND EXCHANGE THE DIPLOMATIC NOTES FOR THE ESF ASAP AND REPORT BY IMMEDIATE CABLES THE DATE THE RESPECTIVE OBLIGATIONS TOOK PLACE. WE NEED THIS REPORT NLT OPENING OF BUSINESS JANUARY 14, WASHINGTON TIME.

8. THE FOLLOWING TABLE SHOWS THE OBLIGATIONS EFFECT OF THESE ACTIONS.

A. PL 480 APPROPRIATIONS - DOLS 92.5 MILLION.

TITLE I RICE	DOLS 88.5
USDA-FINANCED FREIGHT	DOLS 3.0
TITLE II (ESTIMATED FOR ALL OF FY 75)	DOLS 1.0

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TOTAL PL 480	DOLS 92.5
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B. IPR APPROPRIATIONS - DOLS 84.5 MILLION.

C. TOTAL PL 480 AND IPR - DOLS 177.0 MILLION.

D. SUMMARY OF IPR APPROPRIATIONS CONTAINED IN TABLE BELOW:

PROGRAM CATE- GORIES	EST. OBLI- GATIONS TO DATE	NEW ALLOT- MENTS	TOTAL
G. LICENSING	5.0	14.9	19.9
POL	8.0	8.0	16.0
FERT.FREIGHT	1.0	-	1.0
ILS	2.5	3.0	5.5
PL 480 FREIGHT	14.5	5.9	20.4
OTAL CIP	31.0	31.8	62.8
ESF	3.1	7.0	10.1

REFUGEES	1.9	8.1	10.0
MOB	1.6	-	1.6
TOTAL	37.6	46.9	84.5

NOTES:

(1) DOLS 10.0 MILLION OF GENERAL LICENSING UNDER CIP IS FOR LOCAL CURRENCY SUPPORT OF REFUGEE PROGRAM AND IS ATTRIBUTABLE TO DOLS 20.0 MILLION PROGRAMMED FOR HUMANITARIAN ASSISTANCE

(2) IT IS ENVISIONED THAT PAGA FOR CIP WILL BE SIGNED SUBJECT TO POSSIBLE SUBSEQUENT REPROGRAMMING NEEDS.

(3) EXCHANGE OF DIPLOMATIC NOTES FOR DOLS 7.0 MILLION FOR ESF PREMISED ON EXPECTATION OF AT LEAST DOLS 7.0 MILLION FROM JAPANESE AND OTHER DONORS IN CY 1975. DEPOSITS TO SECRET

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ESF ACCOUNT WILL BE IN TRANCHES BASED ON ESF REQUIREMENTS AND COMPLIANCE WITH OVERALL MATCHING FORMULA FOR CY 1975.

(4) IT IS EXPECTED THAT PROJECT AGREEMENT FOR DOLS 8.1 MILLION FOR REFUGEES WILL HAVE TO BE ACCOMPANIED BY WAIVERS FOR PIO/TS AND PIO/CS.

(5) AS EMBASSY AWARE, OBLIGATIONS UNDER PL 480 AGREEMENTS RESULT FROM ACTUAL FINANCING THROUGH PURCHASE AUTHORIZATIONS (SEE PART I ARTICLE I OF AGREEMENT). HOWEVER, WE HAVE BEEN REPORTING PL 480 OBLIGATIONS TO CONGRESS ON AN AGREEMENTS BASIS. THEREFORE, CONTRARY TO PREVIOUS INSTRUCTIONS, AND FOR THIS PURPOSE ONLY, THE VALUE OF THE AGREEMENTS WILL COUNT AS OBLIGATIONS UNDER THE CURRENT CEILING.

9. SUGGESTIONS AND RECOMMENDATIONS CONTAINED IN PARAS FIVE AND SIX OF REFTEL ARE UNDER STUDY AND WILL BE SUBJECT OF SEPTELS. THOSE REGARDING TITLE II AND VIETNAM QUOTE RICE RESERVE UNQUOTE APPEAR TO BE THE MOST VIABLE. KISSINGER

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## Message Attributes

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